

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WESTERN)	
FLEMING COUNTY WATER DISTRICT FOR A)	CASE NO.
RATE ADJUSTMENT PURSUANT TO 807 KAR)	2021-00406
5:076)	

ORDER

On January 19, 2022, Western Fleming County Water District (Western Fleming District) filed into the record of this proceeding a letter signed by Vernon Barton, the Chairman of Western Fleming District’s Board of Commissioners, and a resolution adopted on January 17, 2022, by Western Fleming District’s Board of Commissioners, authorizing Chairman Barton to seek Commission approval to withdraw Western Fleming District’s Alternative Rate Filing (ARF) application.¹

BACKGROUND

Chairman Barton’s letter stated that subsequent to filing its ARF application Western Fleming District experienced a turnover in office personnel and that Western Fleming District’s staff has been unable to prepare responses to Commission Staff’s First Request for Information while also learning their day-to-day duties.² Additionally, Chairman Barton asserted that the ARF application submitted was for a 0.8 percent rate increase and a request for a Water Loss Reduction Surcharge of \$1.46 per customer bill

¹ Western Fleming District tendered its application on October 28, 2021. By letter dated October 29, 2021, the Commission rejected the application for filing deficiencies. The deficiencies were cured and the application is deemed filed on November 5, 2021.

² Barton Letter (filed Jan. 19, 2022) at unnumbered 1

for the next four years.³ Chairman Barton stated that the requested rate increase was anticipated to generate an additional \$10,822 in annual revenues, while the requested surcharge was anticipated to generate approximately \$24,280 in annual revenues.⁴ Chairman Barton stated that the 0.8 percent increase is insufficient to pursue, given the challenges of providing timely responses to Commission Staff's First Request for Information.⁵ Finally, Chairman Barton stated that Western Fleming District desires to withdraw its ARF application, but that it wishes to continue to pursue the \$1.46 surcharge it proposed in the ARF application.⁶

DISCUSSION AND FINDINGS

In its final Order in Case No. 2019-00456,⁷ the Commission ordered Western Fleming District to file an ARF application or an application for an adjustment in rates on or before March 30, 2021.⁸ The Commission cited Western Fleming District's unaccounted for water loss of 18.28 percent in 2018, and the fact that Western Fleming District had not sought a general adjustment in base rates since 2014⁹ as reasons it was

³ *Id.*

⁴ *Id.*

⁵ *Id.* at unnumbered 2.

⁶ *Id.*

⁷ Case No. 2019-00456, *Electronic Application of Western Fleming County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Mar. 30, 2020).

⁸ *Id.* at 7.

⁹ Case No. 2014-00048, *Application of Western Fleming County Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 27, 2014).

ordering Western Fleming District to file a rate case.¹⁰ The Commission found a rate case filing was necessary to ensure that Western Fleming District possessed sufficient revenue to support adequate and reliable service.¹¹

Although the Commission does not generally look favorably on motions for extensions of time, the Commission granted Western Fleming District's motion for an extension of time to file its rate case.¹² On February 26, 2021, Western Fleming District filed a motion for a seven-month extension of time in which to file its rate case, and by Order dated March 15, 2021, the Commission granted that request, and ordered Western Fleming District to file an ARF no later than November 1, 2021.

Staff issued its First Request for Information on December 3, 2021, all responses to this request were to be filed on or before December 20, 2021. Western Fleming District filed partial responses to this request on December 20, 2021, and included a motion for an extension of time. The Commission granted Western Fleming District's motion for an extension of time in which to file its responses to Commission Staff's First Request for Information. By Order in this proceeding dated January 5, 2022, the Commission granted Western Fleming District's December 20, 2021 request for an additional 31 days in which to file responses to certain items contained in Staff's First Request for Information.

The Commission notes that Western Fleming District's unaccounted for water loss continues to increase. In 2019 Western Fleming District reported unaccounted for water

¹⁰ Case No. 2019-00456, *Western Fleming County Water District* (Ky. PSC Mar. 30, 2020), Order at 2-3.

¹¹ *Id.* at 3.

¹² Case No. 2019-00456, *Western Fleming County Water District* (Ky. PSC Mar. 15, 2021).

loss of 21.62 percent,¹³ and in 2020 Western Fleming District reported unaccounted for water loss of 23.62 percent.¹⁴ Additionally, the Commission notes that although Western Fleming District's ARF seeks a 0.8 percent increase in rates, the application will be reviewed by Staff, who will issue a Staff Report containing findings and recommendations regarding Western Fleming District's requested rate adjustment.¹⁵ Staff's review is not limited to simply accepting or rejecting Western Fleming District's proposal, but will include examining Western Fleming District's finances and operations in sufficient detail to make a recommendation based on all relevant information available. The Staff Report may indicate a rate increase in excess of 0.8 percent is needed to support adequate and reliable service.¹⁶ Western Fleming District will be given an opportunity to comment upon the Staff Report.¹⁷

Given that the items requested in Commission Staff's First Request for Information, for which Western Fleming District has not yet filed responses, include a copy of Western Fleming District's general ledgers for calendar year 2020 and 2021;¹⁸ Adjusted Trial Balances for 2020 and 2021;¹⁹ historical employee information on wages, hours, and

¹³ *Annual Report of Western Fleming County Water District for the Year Ended December 31, 2019* at 57.

¹⁴ *Annual Report of Western Fleming County Water District for the Year Ended December 31, 2020* at 57.

¹⁵ Case No. 2021-00406, *Electronic Application of Western Fleming County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 3, 2021), Order at 2.

¹⁶ 807 KAR 5:076 Section 11.

¹⁷ *Id.*

¹⁸ Case No. 2021-00406, *Western Fleming County Water District*, (Ky. PSC Dec. 3, 2021) Order, Appendix B at 3, Item 5.

¹⁹ *Id.*, Item 6.

benefits;²⁰ the total amount collected for each nonrecurring charge and the cost justification for all nonrecurring charges listed in Western Fleming District's tariff,²¹ the Commission is concerned Western Fleming District's inability to respond to these requests is an indication that Western Fleming District lacks the capacity to maintain the records required and to track the proceeds of a water loss surcharge.

For the reasons discussed above, the Commission finds that Western Fleming District's request to withdraw its application for an Alternative Rate Filing should be denied. Further, the Commission finds that in lieu of Western Fleming District filing responses to the outstanding items requested in Commission Staff's First Request for Information, Staff will conduct a limited field review of Western Fleming District's financial records. Staff will contact Western Fleming District to schedule the review. Finally, the Commission finds that the procedural schedule issued on December 3, 2021, should be replaced by the procedural schedule attached as an Appendix to this Order.

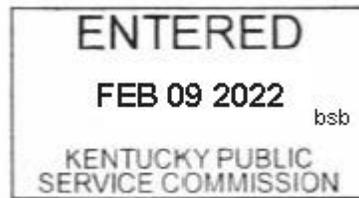
IT IS THEREFORE ORDERED that:

1. Western Fleming District's request to withdraw its Alternative Rate Filing is denied.
2. Staff shall conduct a limited field review of Western Fleming District's financial records.
3. The procedural schedule issued on December 3, 2021, is replaced with the procedural schedule attached as an Appendix to this Order.

²⁰ *Id.* at 4–7, Items 12–15.

²¹ *Id.* at 2, Items 1–2.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Linda C. Bridwell". The signature is written in a cursive style and is positioned above a horizontal line.

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00406 DATED FEB 09 2022

Commission Staff Report shall be filed no later than.....03/29/2022

Western Fleming District shall file its comments on the Staff Report
no later than.....04/12/2022

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